

Message Text

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TO AMEMBASSY PANAMA

C O N F I D E N T I A L STATE 022590

E.O.11652: GDS

TAGS: ETEL, PN

SUBJECT: TELECOMMUNICATIONS: POSSIBLE SALE OF TRT
FACILITIES.

1. DAVID LUBETZKY, PRESIDENT OF TRT TELECOMMUNICATIONS
CORP. AND DAVID MORRISEY, SENIOR VICE PRESIDENT, CALLED ON
DEPUTY ASSISTANT SECRETARY BOWDLER TO INFORM THE DEPARTMENT
OF RECENT MOVES BY GOP'S INTEL TO BUY OUT THE TRT OPERATION
IN PANAMA. TRT IS A SUBSIDIARY OF UNITED BRANDS WHICH HAS
OPERATED IN PANAMA SINCE 1927.

2. THE TRT OFFICERS EXPLAINED THAT INTEL HAD SUGGESTED
SOME TIME AGO THAT TRT MAKE A PROPOSAL FOR INCORPORATING
TRT INTO INTEL'S SYSTEM. TRT SUBMITTED A PROPOSAL FOR A
JOINT OPERATION WHICH WAS REJECTED BY INTEL. INTEL
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RECENTLY ASKED TRT TO MAKE A PROPOSAL FOR SALE OF ITS OPER-

ATIONS TO INTEL. TRT WAS GIVEN A DEADLINE OF MARCH 31. IT IS NOW IN THE PROCESS OF WORKING UP A PROPOSAL.

3. HOWEVER, THE COMPANY HAS TWO PROBLEMS WHICH THEY BELIEVE WILL COMPLICATE THE SALE FOR THEM. THERE IS AN OUTSTANDING TAX CLAIM AGAINST IT FOR OVER \$2 MILLION UP TO THE YEAR 1971 AND A POSSIBILITY OF A SIMILAR CLAIM FOR THE YEARS 1972, 1973 AND 1974. THE CLAIM IS BASED ON ALLEGED TAXES DUE ON REVENUES THE COMPANY RECEIVES FOR INTERNA-

TIONAL CALLS, BUT WHICH IT MUST REIMBURSE TO OTHER COMPANIES WHICH PROVIDE THE SERVICE OUTSIDE OF PANAMA. A SIMILAR CLAIM IS PENDING AGAINST INTERCOMSA. TRT BELIEVES THAT THE TAX CLAIM SHOULD BE SETTLED BEFORE A FINAL AGREEMENT ON THE SALE IS REACHED SO THAT A POSSIBLE ADVERSE RULING IS NOT USED AS AN EXCUSE FOR NOT COMPENSATING TRT FOR THE SALE. THEY CONTEND THAT SUCH A PROCEDURE WOULD BE TANTAMOUNT TO EXPROPRIATION WITHOUT COMPENSATION. THEY BELIEVE THAT WERE THE SALE NOT PENDING THERE IS A GOOD CHANCE THAT THE TAX RULING WOULD BE IN THEIR FAVOR.

4. TRT'S SECOND PROBLEM RELATES TO A CONTRACT THEY HAVE WITH ITT TO PROVIDE PHONE SERVICE WITHIN THE ZONE. THEY CONTEND THAT A SALE OF TRT TO INTEL COULD BE INTERPRETED BY ITT AS A BREACH OF CONTRACT BY TRT AND THEY MIGHT BE SUED FOR NOT PROVIDING THE SERVICES THEY HAD CONTRACTED TO PROVIDE. IF THIS WERE THE CASE, THEY CONTEND THAT IT WOULD BE BETTER TO LET INTEL EXPROPRIATE TRT, THEN THEY WOULD NOT BE LIABLE TO ITT.

5. FACED WITH THESE CHOICES, TRT HAS NOT YET DECIDED HOW TO PROCEED. MR. MORRISEY WILL BE IN PANAMA THE WEEK OF FEB. 3 TO PURSUE DISCUSSIONS WITH INTEL OFFICERS. HE WILL PROBABLY CALL ON THE EMBASSY WHILE HE IS THERE.

6. COMMENT: IT APPEARS THAT THE GOP IS CARRYING OUT THE PROVISION OF THE LAW WHICH ESTABLISHED INTEL TO EVENTUALLY ASSUME CONTROL AND OPERATION OF ALL LOCAL AND INTERNATIONAL TELECOMMUNICATIONS FACILITIES. ITS APPROACH TO TRT FOLLOWS A RECENT AGREEMENT WITH WESTERN UNION TAKING OVER

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THAT COMPANY'S FACILITIES (PANAMA 6268). FOREIGN MINISTER TACK HAS MENTIONED TO MINISTER BELL ON SEVERAL OCCASIONS THAT GOP HAS NO INTENTIONS OF EXPROPRIATING TELECOMMUNICATIONS COMPANIES, BUT WILL STRIKE HARD BARGAINS WITH THEM. TRT IS EVIDENTLY FEELING THE HEAT OF SUCH BARGAINING. KISSINGER

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